Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review --	)	**CC Docket No. 00-199**
Comprehensive Review of the	)	
Accounting Requirements and	)	
ARMIS Reporting Requirements for	)	
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

COMMENTS OF SPRINT CORPORATION

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December 21, 2000

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Sprint Corporation ("Sprint"), on behalf of its local and long distance divisions, submits its Comments to the Notice of Proposed Rulemaking ("NPRM") released on October 18, 2000, in the above referenced docket.

I. INTRODUCTION AND SUMMARY

Sprint applauds the Commission's efforts to reduce accounting and reporting requirements for all incumbent local exchange carriers ("ILECs"). Sprint fully supports the Commission's proposal to treat the mid-sized carriers as Class B companies, affording them relief from Automated Reporting Management Information System ("ARMIS") and Cost Allocation Manual ("CAM") filings. This is appropriate owing to the fact that the huge majority of the access lines and revenues currently reported through ("ARMIS") is controlled by the regional Bell operating companies ("RBOCs"), while the mid-sized carriers account for an insignificant portion of such lines and revenues.

If the Commission decides against granting the mid-sized carriers full Class B status, Sprint generally supports the Commission's alternative proposal to greatly reduce CAM and ARMIS filing requirements for mid-sized carriers. Further, the Commission should significantly increase the indexed revenue threshold, which is used to determine which operating companies must submit these filings , in order to afford relief to carriers who are truly mid-sized.

Sprint also generally supports the various Commission proposals regarding changes to the Part 32 Accounting Rules. In some cases Sprint suggests a greater degree of change, such as a $1 million minimum value for asset transfers under the affiliate transaction rules, rather than $500,000, and a 3% revenue threshold for total incidental activity revenue, rather than a 1% threshold.

While Sprint has no objection to removing Class A accounts that are no longer necessary, Sprint opposes the USTA recommendation to permit the RBOCs to use Class B accounting, because much of the detail in Class A accounts is still needed to evaluate RBOC cost studies. Further, Sprint opposes the states' suggestion to add a host of new accounts and subaccounts as inappropriate in a docket opened to reduce regulation.

II. RELIEF FOR MID-SIZED CARRIERS

A. Eliminate CAM and ARMIS Filing Requirements for Mid-Sized Carriers.

Sprint supports the Commission's proposal to treat all mid-sized ILEC operating companies as Class B carriers, thereby eliminating all CAM filings and ARMIS reports for these carriers[1]. This proposal would properly reduce the ILEC categories from three to two, simplifying the system and recognizing that the only meaningful ILEC dividing line is between the RBOCs and the independent ILECs. Moreover, as the Commission noted in paragraph 80 of the NPRM, "staff analysis and usage of the data…had mostly been limited

[1] *NPRM* at para. 80

to the largest incumbent LECs because they have the greatest opportunities and incentives for shifting costs between services."

Currently, ILECs are classified into three groups, consisting of (i) the "pure" Class A carriers, which were the RBOCs and GTE, (ii) the mid-sized Class A carriers, including Alltel, Citizens/Frontier, Cincinnati Bell, Commonwealth, and Sprint, which are individual local exchange carriers with operating revenue exceeding $114 million annually, but aggregate revenues of less than $7 billion, and (iii) the Class B carriers, which have operating revenue of less than $114 million annually. Over the past five years, the RBOCs have become more concentrated. With the acquisition of NYNEX by Bell Atlantic, and the acquisition of Pacific Telesis and Ameritech by SBC, seven RBOCs have become four. In addition, Bell Atlantic also acquired GTE, the largest Class A independent ILEC. The combined company is now known as Verizon. Finally, as a result of the acquisition of Southern New England Telephone by SBC, the RBOCs share of the ILEC pie increased, while the independents' share decreased.

According to 1999 ARMIS Reports, the four RBOCs (including GTE as part of Verizon) account for 93.3% of the net revenues of the Class A carriers, while the mid-sized Class A carriers account for only 6.7%.[2] Correspondingly, the four RBOCs also account for 93.8% of the Class A switched access lines as of the end of 1999, while the mid-sized Class A carriers account for only 6.2%.[3] The smallest RBOC, Qwest, had 1999 net revenues of $11.2 billion. This figure was not only more than twice the net revenues of the largest mid-sized ILEC, Sprint ($5.2 billion), but was also more than all mid-sized Class A carriers combined.

It does not make sense to continue to require the several mid-sized Class A carriers to file CAMs and ARMIS Reports in order to capture information on less than 7% of the

[2] 1999 ARMIS Reports 43-02, Line 530
[3] 1999 ARMIS Reports 43-08, Column dj

Class A revenues and access lines. The cost of CAM filings is the same for all LECs, regardless of size, but the per customer cost is much greater for the smaller companies. Sprint encourages the Commission to adopt its proposal to grant Class B status to the mid-sized carriers. By doing so, the FCC will continue to receive Class A accounting data from those carriers comprising over 93% of the current Class A carriers, thus ensuring that its oversight of the ILECs as a whole will remain intact.

In addition, the preparation and filing of ARMIS reports is costly and overly burdensome for the mid-sized companies and the burdens of imposing these reporting requirements outweigh the benefits of including these companies in the ARMIS database. Sprint estimates that its regulatory accounting and regulatory affairs personnel currently spend over 6,000 hours in the preparation of ARMIS reports. This translates to a fully loaded cost of approximately $250,000. This amount does not include significant cost incurred for the attestation of the ARMIS 43-03 by external auditors, which cost cannot be uniquely segregated from the total audit fees. The burden of these costs ultimately fall on the consumer. The logical conclusion is to continue to classify the four RBOCs as Class A, and treat the mid-sized carriers as Class B.

B. Alternatively, Reduce CAM and ARMIS Requirements and Raise the Indexed Revenue Threshold.

The alternate proposal in paragraph 80 of the NPRM, while not as effective as the proposal discussed above, is a step in the right direction. This proposal would (i) replace annual CAM filings and biennial CAM audits with an annual certification; (ii) raise the indexed revenue threshold[4] from $114 million to $200 million; and (iii) eliminate all financial reporting for mid-sized carriers except Summary Report 43-01.

[4] See 47 CFR §32.9000

Sprint strongly supports the certification process in lieu of CAM filings. Eliminating preparation of the CAM represents real savings of costs and resources. In order to preserve these savings, the certification should apply to compliance with section 64.901 of the Commission's rules covering the principles of cost allocation. The Commission should not require continued observance of section 64.903, which would simply maintain the current CAM format, thus eating into most of the costs and resources saved. Further, Sprint also supports the Commission's proposal, at paragraph 82 of the NPRM, to eliminate the requirement for an attestation engagement every two years. This compliance requirement is overly burdensome in terms of both cost and resources expended and is unnecessary. The Commission can retain its ability to obtain compliance with cost allocation requirements by simply ordering an audit if deemed necessary.

Sprint supports raising the indexed revenue threshold. However, an increase from $114 million to $200 million, while helpful, would have only a marginal impact for the mid-sized carriers. Of the 22 mid-sized carriers who currently exceed the $114 million threshold, only eight would clearly be impacted by an increase to $200 million. However, if the benchmark were raised to $300 million, 15 of the 22 entities would clearly fall under the threshold. At $400 million, two more companies would drop off the Class A list, leaving only five entities (four Sprint companies and Cincinnati Bell) still required to make CAM and ARMIS filings. All nine of the Sprint entities affected by a $400 million threshold are rural telephone companies, as defined in 47 U.S.C. §153. Thus, a new threshold of $400 million is still modest enough to identify truly mid-sized carriers and afford them more significant relief, without jeopardizing the Commission's oversight obligations. Regardless of the level ultimately selected, any new threshold should continue to be indexed for inflation as set forth in 47 CFR §32.9000.

In paragraph 83 of the NPRM, the Commission discusses alternatives to the operating company threshold. Sprint recommends that the Commission grant a company relief from CAM and ARMIS filings if that company meets either a holding company revenue threshold or an operating company revenue threshold. In this instance, the Commission should modify the indexed revenue threshold by adding a holding company threshold of $7 billion for the regulated revenues of all the ILEC affiliates of a company, which is the same threshold used today to define mid-sized ILECs.[5] It should be noted that this amount currently covers all Class A mid-sized carriers, but none of the RBOCs. Thus, if the Commission adds the $7 billion holding company threshold, the Commission will still obtain CAM and ARMIS filings covering more than 93% of the lines and revenues of the filings it receives today, as discussed in section II.A. above. The $7 billion holding company threshold should be indexed along with the operating company revenue threshold, as provided in 47 CFR §32.9000.

Sprint also supports the Commission's proposal in paragraph 84 of the NPRM to eliminate ARMIS 43-02, 43-03 and 43-04 reports for mid-sized carriers. These reports are overly burdensome to mid-sized carriers and they are not particularly useful to the Commission in analyzing industry trends. Consistent with the discussion above, Sprint opposes retaining the requirement for any mid-sized carrier to report either ARMIS 43-01 or 43-08, as suggested in paragraph 85 of the NPRM. However, if the Commission decides to continue to require some level of ARMIS reporting by mid-sized carriers, such requirement should be limited to a single report (ARMIS 43-01), retaining a Table II for any required operating data, and otherwise eliminating ARMIS 43-08 entirely.

Finally, should the Commission decide to continue to require mid-sized carriers who exceed the indexed revenue threshold to report ARMIS 43-01, Sprint supports the

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[5] See 47 CFR §32.9000

Commission proposal in paragraph 86 of the NPRM eliminating the BFP column and combining the "SNFA and Intra-co. Adjustments" column with the "Other Adjustments" column to form one column entitled "Adjustments." Sprint also proposes to eliminate three additional columns, Pay , Inside Wire and Equal Access, as having no appreciable benefit.

Sprint opposes the addition of a new column for "excluded services." Instead Sprint proposes combining "Interexchange", "Billing & Collection" and "Excluded Services" into a single column entitled "Non-Access." Part 69 rules do not address the allocation of costs for the "Excluded Services" and there is no regulatory benefit in reporting these items separately.

III. Part 32 Accounting Rules

A. Chart of Accounts Issues

Paragraphs 15-20 of the NPRM focus on the chart of accounts, and raise issues such as eliminating several subaccounts,[6] eliminating Jurisdictional Difference Accounts,[7] eliminating either all or approximately one-fourth of the Class A accounts, and adding accounts at the states' request.

Sprint supports eliminating all ten of the subaccounts referenced in footnote 33 of the NPRM. The level of detail represented by these accounts is not necessary from a regulatory perspective. Sprint also supports the elimination of the Jurisdictional Difference Accounts. By definition, these accounts are used to record the effect of jurisdictional ratemaking practices that vary from those of the Commission. They are not used for federal regulatory oversight and are often provided to the individual states in greater detail.

With respect to Class A accounts, Sprint has no objection to the elimination of Class A accounts that are not necessary for purposes of jurisdictional separations, price caps, universal service mechanisms or network element pricing. This analysis should be used in

[6] *NPRM,* at para. 16, FN 33
[7] *Id.* At FN 34

determining whether to eliminate the 77 accounts identified in Appendix 3 of the NPRM. In addition, before any of the Class A accounts are eliminated, it should be made clear that the Commission will retain the corresponding summary accounts from Class B. For example, the Commission proposes to eliminate all of the Class A cash and cash-equivalent accounts, accounts 1130-1160. If eliminated, these should be replaced with the Class B Cash and equivalents account 1120. The NPRM does not make clear that if Class A accounts are eliminated they would be consistently replaced with Class B summary accounts.

However, Sprint does oppose the elimination of all Class A accounting for the reasons set forth in paragraphs 18 and 19 of the NPRM. The level of detail provided in some Class A accounts is needed in determining costs for unbundled network elements and universal service funding for the four major carriers. Specifically, detail is needed in the 24xx, 64xx and 65xx accounts, which cover different types of plant and various expenses, including maintenance. For example, non-metallic cable (fiber) requires lower maintenance costs than metallic cable. Forward looking cost studies tend to have a higher percentage of non-metallic cable than embedded cost studies. Without the subaccount detail provided in account 2423, for example, to distinguish buried metallic cable from buried fiber, lower maintenance costs for fiber can be mixed in with the higher maintenance costs for metallic cable, creating artificially high maintenance costs. RBOC cost studies can be difficult to fathom even with Class A account detail. Eliminating much of the detail by allowing RBOCs to use Class B accounts would expose these cost studies to further uncertainty.

With respect to the accounts that the states seek to add in Appendix 5 of the NPRM, Sprint respectfully submits that *adding* regulatory requirements is not a proper subject of a biennial regulatory review docket. This docket arises out of Section 11 of the Communications Act of 1934, as amended (the "Act").[8] Section 11 requires the Commission

[8] 47 U.S.C. §161

to review regulations issued under the Act every other year and determine whether any such regulation is no longer necessary in the public interest due to meaningful competition. The Commission is directed to "repeal or modify any regulation it determines to be no longer necessary in the public interest."[9] While the term "modify" may be broadly construed, it must be constrained by the language that the subject regulation is no longer necessary in the public interest. In no sense is there room in Section 11 for new regulation to be created. Therefore, this is clearly the wrong proceeding for the Commission to consider the states' proposal to add new accounts and subaccounts.

In addition to the legal flaws with the states' request for more account detail, there are practical problems as well. If the Commission does consider the states' proposal, it should reject the proposed additions based on public policy considerations as addressed below.

(1) Switching software subaccount under intangible asset. This cost is already capitalized in the same account as the switch itself (2210). This is proper accounting, which requires the software to be matched with the switch it supports. There is no benefit to drawing switching software away from its corresponding switch and dedicating labor to track it in a separate intangible account.

(2) Loop and Interoffice transport subaccounts under central office transmission, cable and wire facilities, and information origination/termination accounts. Sprint strongly urges the Commission not to adopt this proposal. When necessary, a study can be done to allocate loop and transport costs. However, it would be extremely burdensome to maintain these subaccounts on an ongoing basis and keep them current through a constant attempt to allocate the primary accounts between loop and transport.

[9] 47 U.S.C. §161(b)

(3) Origination and termination subaccounts under the switched access revenue account. Sprint does not currently produce the information necessary to maintain these subaccounts. In addition, as access charges continue to decrease, delineation of access revenues become less meaningful.

(4) Switched access, Special access and Subscriber line charge subaccounts under state access revenue. These subaccounts are unnecessary for the same reason as set forth in number three above for origination and termination. There is no regulatory need to see a breakout of state access revenues.

(5) Wholesale and retail subaccounts under customer operations expense. Again, Sprint strongly opposes this addition for the same reasons in number two above. This information can be developed through an avoided cost study when warranted. However, from a day-to-day accounting standpoint, it would be very difficult to determine and maintain wholesale and retail allocations of marketing and service costs. Any benefit from maintaining this information cannot possibly justify the recordkeeping burden.

(6) New revenue and expense accounts for reciprocal compensation, federal USF, state USF, resale, wholesale and collocation. Sprint recommends rejection of these new accounts. The revenues are not difficult to track, but aggregating the expenses in some of these proposed accounts, such as reciprocal compensation, would be quite burdensome. Regardless, all of these proposed new revenue accounts are unnecessary, because the subject revenues are already included today in other accounts. Reciprocal compensation, federal USF and State USF are all included in access revenues; resale and wholesale revenues are included in other local exchange revenue; and collocation revenues are included with rent revenue.

B. Other Regulatory Relief

Sprint encourages the FCC to adopt the USTA proposal to eliminate Section 32.1220(h) and Section 32.2311(f) of the Commission's rules requiring an annual inventory of material and supplies and station apparatus investment, respectively.[10] Sprint concurs with the USTA proposal that GAAP requirements should be the basis for performing these inventories in place of the detailed requirements prescribed by the Commission rules. Companies should have the latitude to determine the appropriate inventory validation methodology based on risk assessment and on existing controls. The level of effort and costs incurred to ensure the integrity of asset values should be commensurate with the respective level of financial risk.

As a mid-sized LEC, Sprint's material and supplies and station apparatus inventory balances stated as a percent of total physical assets are less than one quarter of one percent and one half of one percent, respectively. The immateriality of these balances may not justify the cost of an annual physical inventory, so long as adequate controls are in place and/or surrogate measures are employed to satisfy Generally Accepted Accounting Principles and Generally Accepted Auditing Standards. Surrogate measures such as inventory cycle counts and statistical sampling measures are more cost effective than complete annual physical inventory counts in determining financial accurate inventory balances.

Sprint encourages the FCC to eliminate the Commission's rules at Section 32.1220(h) and 32.2311(f), noting that to do so would not necessarily mean that companies would abandon annual physical inventory counts. At best, elimination of the Commission's rules simply provides the industry with a level of discretionary latitude to determine the most

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10 *NPRM* at para. 22

efficient and cost effective means to ensure the financial integrity of material and supplies and station apparatus investment values.

Sprint supports elimination of the two-month/$100,000 arbitrary capitalization thresholds contained in 47 CFR §32.2003(b) as unnecessary.[11] Generally Accepted Accounting Principles currently exist to guide capitalization and cost of construction accounting and reporting policy. As such Sprint recommends the FCC adopt GAAP in place of its thresholds and that materiality and management judgment should be the basis of the criteria for determining the timing and amount of a capitalization threshold. Further, the SEC currently has a proposed Statement of Position which will address many of the cost of construction issues. Eliminating the arbitrary thresholds will avoid overlapping or contradictory rules.

In paragraphs 25-26 of the NPRM, the FCC is concerned that carriers who adopt SFAS-116 for regulatory purposes could possibly increase their reported contributions and thus, through higher prices, recover these increased costs from ratepayers based on unconditional pledged amounts and not on "actual cash" contributions. Sprint believes that this should only be a financially material issue for price cap companies. For example, a carrier subject to price cap regulation could "bunch up" future years' contributions in one year, invoke the LFAM election (if the carrier is earning below a 10.25% rate of return), and raise its prices, solely due to timing of its contributions. Allowing this "lumpy" expense recognition required by SFAS-116 would cause expense peaks and valleys, rather than normalized expenses for ratemaking purposes, would violate good regulatory policy by causing a price increase solely due to the timing of pledges, and would be inconsistent with the intent of the CALLS order by increasing, rather than reducing, access rates.

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[11] *NPRM* at para. 24

Alternatively, the benefits from adoption of SFAS-116 for regulatory purposes would be the elimination of duplicative record keeping requirements, and the ongoing administrative costs associated with maintaining external and regulatory financial recording and reporting differences for charitable contributions.

To remedy the FCC's concern and provide a more balanced approach, Sprint recommends that the FCC should not allow carriers to adopt SFAS-116 until a carrier elects pricing flexibility. Once a carrier makes this election, the LFAM election is not an option[12] and the FCC's concern over "gaming the system" is resolved. Following the price flexibility election, a carrier will bear the risk of recovery of its unconditional pledges and the timing of when they are made does not become an issue.

With respect to the additional USTA proposals,[13] Sprint supports the elimination of section 32.5280(c), which requires carriers to maintain separate subsidiary categories for nonregulated revenue recorded in Account 5280. By definition, the revenues recorded in this account are nonregulated and should be exempt from any regulated requirement to maintain subsidiary records. Eliminating section 32.5280(c) would allow carriers the flexibility to maintain records of its nonregulated revenues in a manner that best serves their internal business needs. Sprint also supports the decreased regulatory requirement contained in USTA's second proposal. This proposal would simplify deferred tax accounting by allowing carriers to book Account 1437, Deferred tax regulatory asset, net of Account 4361, Deferred tax regulatory liability, and to eliminate the requirement to calculate the gross up for the tax on tax effect. Sprint does not support the third USTA proposal, to eliminate the section 32.16 requirement for notification and approval to implement FASB standards. While Sprint generally favors GAAP compliance, based on the discussion above regarding SFAS 116, for example, Sprint is not prepared to support automatic approval of an

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[12] See 47 CFR §61.45(d)(1)(vii) and 69.731.

[13] *NPRM* at para. 27

accounting standard without an opportunity to consider its regulatory effect. Finally, Sprint supports the USTA proposal that section 252(e) agreements be treated the same as tariffed services in Part 64 cost allocation rules.

C. Affiliate Transaction Issues

Sprint supports USTA's proposal to reduce the threshold to use prevailing price under 47 CFR §32.27(d) from 50% to 25% of the sales of an asset or service to third parties.[14] When carriers provide services to third party customers, there is an implied market based rate for the transaction. In markets that are increasingly competitive, there is frequently not a given market price for at least 50 percent of the customers, but rather similar prices that are all representative of the market price. As such, these market based rates more accurately and fairly represent the value of the transaction than methodologies such as fully distributed costing.

The creation of a market for the sales of a carrier's services should not require that half the sales be to outsiders. While an isolated sale may be subject to abuse, it seems apparent that a threshold of 25% is adequate to avoid such abuse. We should certainly be able to expect our affiliates to pay the same rate for up to 75% of a carrier asset or service as the outside customers pay for 25% of such asset or service, because 25% is a significant portion of the total quantity of the asset or service. In addition, the more widespread the use of prevailing price, the less cost that must be incurred by the carrier in determining fair market value or fully distributed cost on an individual product or service basis, thereby saving expense to the ratepayer.

Sprint supports the Commission's proposal to eliminate the requirement for a fair market value comparison for asset transfers valued under a certain minimum threshold.[15]

[14] *NPRM* at para. 29
[15] *NPRM* at 34

While the Commission suggests $500,000 per year, which corresponds to the threshold for services, Sprint believes that $1 million is a more meaningful level to truly capture miscellaneous asset transfers.

Carrier assets are depreciated at rates approved by regulatory agencies and nonregulated affiliate assets are depreciated according to GAAP. Sound business principles would dictate that these assets are transferred between carriers and their affiliates at net book value. Transferred in either direction, the net book value of an asset is a sound and valid valuation and there is no detriment to the ratepayer. The requirement to incur unnecessary expense in order to perform or obtain a fair market calculation is not value added and thus causes harm to the ratepayer.

In support of the recommended threshold, Sprint demonstrates that an annual $1,000,000 exemption would represent only .7% of **depreciated** Property, Plant and Equipment of Sprint's smallest and newest Class A carrier, Sprint Minnesota, Inc., based on its 1999 year-end balance sheet. The clear advantage is that only significant transfers would need a fair market comparison while almost all miscellaneous asset transfers will avoid the expense of a fair market value comparison.

Sprint also supports the Commission's proposal that the affiliate transaction rule[16] establish a floor or ceiling, rather than dictate a discrete price.[17] Under the Commission's proposal, the floor or ceiling would always operate in favor of the ratepayer by permitting the regulated carrier to either pay less or charge more, as the case may be, to the nonregulated affiliate for a service or asset. Since the ratepayer is always protected, there can be no regulatory harm from the Commission's proposal.

Finally, Sprint supports the Commission's proposal to exempt from the affiliate transactions rule transactions between the ILECs' nonregulated operations and its

[16] See 47 CFR §32.27
[17] *NPRM* at para. 35

nonregulated affiliate.[18] There should not be any risk of harm to the ratepayer if the Commission exempts nonregulated activities from the affiliate transaction rules. Rather, the requirement to subject nonregulated transactions to regulation would be a direct contradiction of the concept of not incurring unnecessary expense for ratepayers that yields no additional benefit to the regulated operations. It should not matter to the regulator how a carrier values its nonregulated transactions with the nonregulated affiliates, since economic and competitive principles will drive such transactions.

D. Incidental Activities

Section 32.4999(l) of the Commission's rules[19] provides for minor nontariffed activities to be recorded as regulated revenues if they meet four criteria. These criteria are that the activity must be (i) an outgrowth of regulated operations; (ii) have been treated traditionally as regulated; (iii) be a non-line of business activity; and (iv) result in revenues that aggregate less than 1% of total revenues for three consecutive years. Sprint recommends that the Commission eliminate criterion (ii) and modify criterion (iv) to allow a 3% cap instead of the current 1% threshold for total incidental activities' revenues.

With respect to criterion (ii), a carrier should be able to record an incidental activity as regulated revenue regardless of the historical treatment of that activity. Regarding criterion (iv), incidental activity revenues of Sprint and many other carriers already exceed the 1% threshold and thus cannot be recorded as regulated revenues. Adjusting the cap upwards to a still insignificant 3% will allow Sprint and other carriers the flexibility to record eligible revenues as regulated, and avoid the administrative cost of tracking and reclassification of such revenues when they exceed 1%. There is no harm or risk of abuse to ratepayers in modifying this provision since 3% is still a very low threshold. Eliminating

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[18] *NPRM* at para. 38

[19] 47 CFR §32.4999(l)

criterion (ii) without modifying criterion (iv) of Section 32.4999(l) will have little or no impact.

The Commission is concerned that ratepayers may bear the risk of nascent nonregulated ventures if criterion (ii) is removed. The Commission is correct that these venture-related expenses could be placed on the regulated books. However, as a practical matter, price cap regulated companies will be constrained from using any additional expenses to raise prices. For rate of return regulated companies, any effect on rates caused by these expenses can be addressed on a case by case basis.

E. Expense Limits

Sprint supports raising the expense limit from $500 to $2000 for both Account 2124, general support computers, and the tools and test equipment included in the central office plant accounts.[20] This increase is consistent with the Commission's decision to raise the expense limit to $2000 for other equipment.[21] As a percent of total plant investment, general support computers and test equipment are relatively insignificant. In addition, due to rapidly advancing computer technology many companies have transitioned to expense leasing of computer equipment which renders the capitalization rules moot.

In addition to consistency, Sprint strongly believes that expense limits should be set at management's discretion. Management should make expense criteria decisions, based on

[20] *NPRM* at par. 42

[21] See Revision to Amend Part 32, Uniform System of Accounts for Class A and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from $500 to $2000, CCDocket No. 95-60, *Report and Order*, 12 FCC Rcd 7566 (1997)

a cost benefit analysis of which assets should be subject to an expense limit, and whether large quantities of small value items should be tracked.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Joyce Walker, hereby certify that I have on this 21st day of December 2000, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of Sprint Corporation" In the Matter of 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199, filed this date with the Secretary, Federal Communications Commission.

Joyce Walker